

To: Department of Local Government Finance

Date: April 23, 2018

Narrative for 2018 Pay 2019 Annual Adjustments and Ratio Study

For the 2018 payable 2019 Annual Adjustments, the Vanderburgh County Assessor utilized sales occurring between 01/01/2017 and 12/31/2017. Less than five sales were available within this date range for the Industrial Vacant and Commercial Vacant studies. For the Commercial Vacant study, we used sales in the analysis that occurred between 01/01/2015 and 12/31/2017. No time adjustment was necessary for these sales. For the Industrial Vacant study, all of the valid sales were part of multi parcel sales included in the Industrial Improved study. Insufficient sales for ratio study analysis exist in other areas. For example, Union Township's market is influenced by several factors, including a close proximity to the Ohio River, which results in frequent widespread flooding. Union Township is completely located within a flood zone. Due to this fact, few real estate transactions occur in Union Township on a yearly basis. There was only two residential improved sales in Union Township for this analysis. In addition, there were only five residential improved sales in Armstrong Township. Armstrong and Union Township sales were combined with the German Township study for ratio study analysis. All three townships are rural and highly agricultural. Township groupings were necessary in the following studies: Industrial Improved, Commercial Vacant, Commercial Improved, Residential Improved and Residential Vacant.

For the Commercial Improved ratio study, Pigeon and Knight Townships were grouped for analysis. Pigeon and Knight townships are contiguous and contain the highest concentration of commercial properties in the county; the townships share similar access to the Ohio River,

Lloyd Expressway, I69 and Hwy 41; both townships include a combination of distressed, revitalized and newly constructed commercial areas; the Commercial areas in both townships are almost exclusively within the city limits of Evansville and share similar economic influences.

Analysis of commercial and industrial properties was limited in most townships due to a lack of valid sales. Overall, the analysis of commercial and industrial properties was performed on the county as a whole. Where applicable, the existing sales were combined with sales from the same property class group from other townships to assure that assessment levels were consistent throughout the county. The commercial and industrial neighborhoods for Vanderburgh County are established and maintained on a countywide scale and based upon land use classification. Sales from all townships were utilized to establish and adjust these commercial and industrial neighborhood rates.

Vacant land sales were used to determine any adjustment to land base rates to conform to current market trends. Townships with insufficient vacant land sales were compared to comparable land values from townships with sufficient vacant land sales to verify land rates. In addition, to verify land rates we used improved property that was vacant at the time of the sale using the abstraction method.

Improved sales were used to determine what, if any, market adjustment factors were necessary to establish uniform and equitable assessments. The preliminary ratio studies used the following calculation for ratio of assessment:

$$\text{Ratio} = (\text{Imp AV}) / (\text{Sales Price} - \text{Land AV})$$

This calculation removes the land value from the calculation of any market adjustment factor as we adjust land values through the vacant land studies. The final ratio studies are calculated using the following formula:

Ratio= (Total AV) / (Total Sales Price)

The ratio studies were performed within the counties CAMA system, INcama. The ratio studies were performed first at the neighborhood level to determine which areas had inconsistent values and to determine neighborhood specific market adjustment factors.

All valid sales were field checked to verify parcel data characteristics and identify disparities between assessed value and market sales price. Any necessary corrections (such as additions, remodels, square footage) were made to bring the parcel's value in line with the rest of the neighborhood. Any grade or condition changes were compared to the grades and conditions for that neighborhood as a whole and adjusted on a neighborhood wide scale.

When sufficient data was available, gross rent multipliers were calculated from rental information collected from apartments and multifamily rental units. IncomeWorks software, which provides local market income data, was used in assessment level analysis. We have utilized MLS data and appraisals from prior appeals to verify and evaluate land rates, market adjustment factors, building permits, and values obtained from the ratio studies. It is the goal of the Vanderburgh County Assessor to fairly and accurately reflect market values and conditions in the county's tax base.

Vanderburgh County successfully completed the inspection and data entry of the required 25% of all property classes for Year 4 (2018) of the cyclical reassessment. We have a work plan to meet future benchmarks for the second cycle of cyclical reassessment.

William J. Fluty, Jr.
Vanderburgh County Assessor
April 23, 2018